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ARIZONANS FOR RESPONSIBLE WATER POLICY

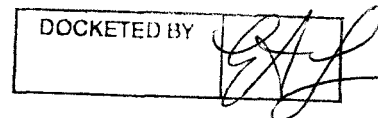
August 7, 2015

ORIGINAL

Chairman Susan Bitter Smith
Commissioner Bob Stump
Commissioner Bob Burns
Commissioner Doug Little
Commissioner Tom Forese
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
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In Re: Docket No. Small Water Systems Fund, W-00000C-15-0250

Dear Chairman and Commissioners:

Thank you for the opportunity to respond to your request for comments on the Commission's Small Water System Fund ("SWSF").

We believe that the funding for the SWSF should be collected in the fairest and simplest manner possible. We set aside for now, the question of whether it is fair to collect revenue from customers of large utilities, utilities that are specifically prohibited from receiving funds under the SWSF.

Regardless of one's view of that issue, there is, certainly, a need for the SWSF – and as we cautioned in a letter to the Commission on April 16, 2015, that need is going to become much greater in the imminent future.

We therefore, support the SWSF, and urge the Commission to develop a funding plan for it along the lines of the Utility Revolving Regulatory Fund (URRF), ARS § 40-401. However, as the Commission is certainly aware, the URRF statute exempts utilities with annual gross operating revenues of less than \$500 thousand.

By law, the only potential beneficiaries of the SWSF are small systems – and we believe that those systems' customers should bear some of the costs of the SWSF.

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The SWSF funds can only be used for small water system problems – and the SWSF is going to be funded by ratepayers. Those facts are inescapable. It is also a fact that the vast majority of the funding for the SWSF will be coming from customers of companies that are statutorily prohibited from ever receiving SWSF funds to offset emergency costs. Simply because medium and large water utilities have more customers, those customers will be paying the majority of SWSF contributions.

We believe that for the SWSF to have some portion of fairness, customers of the potential beneficiaries should contribute to the cause. We, therefore, support a statutory mechanism that imposes a surcharge on all customers of private water utilities, regardless of size.

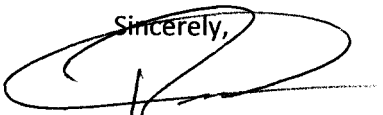
Turning to another question asked in the Commission's request for comments: we do not support imposing a surcharge for the SWSF thru a rate case – again, such an approach would mean that only the customers of responsible companies that are regularly addressing their own financial situation would be contributing to the SWSF. And customers of companies that never file rate cases would never contribute – those companies are also probably the most likely to fail.

Furthermore, using a rate case surcharge approach would make the SWSF inequity far worse because, of the 282 water utilities in Arizona, the vast majority don't file rate cases on anything like a regular schedule. It would be the customers of the responsible companies and of the medium and larger companies who would solely fund the SWSF.

Finally, funding the SWSF in its entirety thru a rate case surcharge would make calculating the proper amount of the surcharge impossible: how would the Commission know the proper surcharge per account? The Commission does not, and cannot, know how many companies (thus how many customer accounts) it will see in any given year's set of rate cases. The Commission would have completely unpredictable revenues if it followed that approach.

We thank you for the opportunity to provide this response.

Sincerely,



Paul Walker

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